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C O N F I D E N T I A L SECTION 01 OF 08 OECD PARIS 05273

E.O. 11652: GDS
TAGS: EGEN, CIEC, ENRG, EFIN, ETRD, EAID, OECD
SUBJECT: CIEC: CONCLUSION OF FIRST SESSION OF
COMMISSION MEETINGS

SUMMARY AND CONCLUSIONS

1. FIRST SESSION OF CIEC COMMISSION MEETINGS ENDED ON FEBRUARY 20. IN ENERGY, FINANCE' AND RAW MATERIALS COMMISSIONS THE FINAL DISCUSSIONS RELATED TO STRUCTURE OF WORK IN NEXT SESSIONS. GENERAL AGREEMENT ON THIS WAS REACHED IN ENERGY AND FINANCE COMMISSIONS, BUT RAW MATERIALS HAS UNRECONCILED G-19 AND G-8 PAPERS ON THE TABLE, SO THAT MANNER OF PROCEEDING MAY REQUIRE FURTHER INITIAL DISCUSSIONS IN MARCH. DEVELOPMENT COMMISSION -- UHICH HAD EARLIER RESOLVED ITS WORK PROGRAM PROBLEMS -- CONCLUDED WITH GENERAL DISCUSSION OF BALANCE OF PAYMENTS ISSUES, HAVING PREVIOUSLY DISCUSSED THE TOPIC OF TRADE. CONFIDENTIAL

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2. IN GENERAL, FIRST SESSION WAS CHARACTERIZED BY SERIOUS AND UNEMOTIONAL TONE. UNDERLYING THE CONSI-DERABLE TIME SPENT ON WORK PROGRAMS WERE OBVIOUS DIFFER-ENCES IN APPROACH AND EXPECTATION. LDCS FEEL THEY HAVE ALREADY -- IN OTHER INTERNATIONAL FORUMS -- GIVEN EXTENSIVE THOUGHT TO WORLD'S ECONOMIC PROBLEMS AND HAVE IDENTIFIED SOLUTIONS, TECHNIQUES AND FORMULATIONS BY

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WHICH THEY PROPOSE TO CHANGE THE SYSTEM TO THEIR ADVANTAGE. BUT FROM DC VIEWPOINT, THE LDC POSITIONS LACK SERIOUS FACTUAL AND ANALYTIC BASIS AND SO-CALLED SOLUTIONS LOOK TOO OFTEN LIKE SLOGANS. THE LDCS BELIEVE BASIC ANALYSIS UNNECESSARY OR ALREADY ACCOMPLISHED. DCS REGARD IT AS ESSENTIAL. AS A RESULT, DC EFFORTS TO ENGAGE LDCS INTELLECTUALLY IN COPING WITH REAL CONCRETE PROBLEMS TEND TO BE SUSPECT BY LDC'S AS DC TACTIC TO STALL ON PRODUCING "ACTION PROPOSALS".

3. LDC EAGERNESS TO MOVE RAPIDLY TO DISCUSSION OF "SOLUTIONS" WAS MOTIVATED IN PART BY DESIRE TO HAVE SOME KEY ISSUES AT RELATIVELY ADVANCED STAGE IN CIEC BEFORE UNCTAD IV WHERE THEY COULD THEN BE EXAMINED OR ACTED UPON IN A "POLITICAL" FRAMEWORK. FACED WITH THIS ATTITUDE, THE DC'S INTEREST IN PRESERVING POSITIVE TONE OF CONFERENCE LED US TO AGREE TO CONSIDERATION OF A NUMBER OF SPECIFIC TOPICS IN MARCH AND APRIL. WHILE WE DO NOT ENVISAGE THAT MANY ISSUES CAN CONSTRUCTIVELY BE BROUGHT TO CLEAR FOCUS BEFORE UNCTAD, U.S. WILL OF COURSE REQUIRE EXTENSIVE AND CLOSELY COORDINATED PREPARATIONS ACROSS BROAD SPECTRUM FOR COMING CIEC SESSIONS.

4. COORDINATION WITHIN GROUPS HAS BEEN PROBLEM. G-19 OBVIOUSLY CONTAINS VERY DISPARATE INTERESTS AND HOLDING TOGETHER OIL EXPORTERS, OTHER ADVANCED LDCS, AND MSAS HAS ITS OWN INTRICATE DYNAMICS WHICH PROBABLY PUTS SOME PREMIUM ON COHESION AROUND GENERAL STATEMENTS. FURTHERMORE, G-19 IS SENSITIVE TO FACT THAT NON-PARTICIPATING MEMBERS OF G-77 ARE LOOKING OVER THEIR SHOULDERS WITH

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SOME SKEPTICISM. HARD ANALYTIC WORK ON SPECIFICS COULD WELL SPAWN DISUNITY. WITHIN G-8 RANKS, COORDINATION HAS ALSO BEEN PROBLEM, EXCEPT IN ENERGY COMMISSION -- WHERE EXTENSIVE WORK OVER PAST YEAR IN INTERNATIONAL ENERGY AGENCY HAS PRODUCED CONSIDERABLE CONVERGENCE OF VIEWS -- AND IN FINANCE COMMISSION WHERE COORDINATION DID NOT BECOME PROBLEM IN THIS SESSION. IN OTHER TWO COMMIS-SIONS, DC COORDINATION HAS ALSO BEEN HAMPERED BY THE CUMBERSOME EC DECISION-MAKING PROCESSES WHICH SERIOUSLY LIMITED THE COMMUNITY'S ABILITY TO WORK IN TANDEM WITH OTHER DCS AND INDEED TO PARTICIPATE EFFECTIVELY IN PLENARY SESSIONS.

5. THE INSTITUTIONAL MECHANISMS OF THE CONFERENCE WORKED REASONABLY WELL AFTER THE FIRST FEW DAYS. RELATIONSHIP AMONG WORK OF DIFFERENT COMMISSIONS REMAINS LOOSELY CONFIDENTIAL

DEFINED, BUT THIS SITUATION HAS NOT CAUSED PARTICULAR PROBLEMS, AND THERE ARE ADVANTAGES IN THE FLEXIBILITY WHICH IT GIVES US. THE CO-CHAIRMAN MECHANISM HAS SHOWN BOTH INSTITUTIONAL ADVANTAGES -- THE WORKING RELATIONSHIP PROVIDES A CHANNEL FOR QUIETLY RESOLVING DIFFERENCES AND FOR CONTAINING EXTREME VIEWPOINTS -- AND ALSO DISADVANTAGES. AMONG THE LATTER CATEGORY IS A TENDENCY TOWARD FREE-WHEELING, WHICH BOTH EC CO-CHAIRMEN (WELLENSTEIN AND DONDELINGER) HAVE EXHIBITED.

6. IN SHORT, COMMISSIONS HAVE STARTED A PROCESS. NONE OF THE FOUR GROUPS IS FULLY OUT OF SHAKE-DOWN PHASE. THE PROCESS WILL BE COMPLEX AND WILL BE AFFECTED -- IN PACE AND IN SUBSTANCE -- BY WORK IN OTHER INTERNATIONAL FORUMS, AS CIEC WILL ITSELF AFFECT OTHER FORUMS.A-SONABLE START HAS BEEN MADE. END SUMMARY AND CONCLU-SIONS.

DATES FOR MARCH SESSION

7. COMMISSIONS WILL RECONVENE FOR NEXT SESSION AS FOLLOWS: ENERGY - MARCH 18; DEVELOPMENT - MARCH 19; FINANCE - MARCH 19; RAW MATERIALS - EITHER MARCH 18 OR 19 DEPENDING ON FINAL DECISION BY CO-CHAIRMEN.

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8. IN ITS LAST TWO DAYS, COMMISSION REACHED FINAL AGREEMENT ON PAPER ESTABLISHING FRAMEWORK FOR DISCUSSION OF GENERAL ANALYSIS OF WORLD SUPPLY AND DEMAND CONDITIONS FOR ENERGY. THE AGREED PAPER ALSO ESTABLISHES A PROCEDURE AND TIMETABLE FOR WORK AT NEXT COMMISSION MEETING, NOW SET FOR MARCH 18-25, AS WELL AS FOR LATER MEETINGS. AT MARCH MEETING, GROUP WILL CONDUCT FIRST ROUND OF SUBSTANTIVE DISCUSSIONS UNDER GENERAL ANALYSIS HEADING. IT WILL ALSO ESTABLISH METHODOLOGY OF APPROACH TO HEADING ON "THE PRICE OF ENERGY" THEN ON "AVAILABILITY AND SUPPLY OF ENERGY" AND ON "INTERNATIONAL COOPERATION IN ENERGY FIELD" IF TIME AVAILABLE. SUBSTANTIVE DISCUSSION UNDER PRICE HEADING WOULD TAKE PLACE AT APRIL SESSION, ASSUMING FINAL AGREEMENT
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REACHED ON METHODOLOGY OF PRICE IN MARCH.
AT THIS FIRST SESSION OF COMMISSION, INDUSTRIALIZED COUNTRIES ACCOMPLISHED MAJOR DC TACTICAL OBJECTIVE OF ENSURING NOT ONLY THAT ENERGY DIALOGUE BEGIN SMOOTHLY, BUT ALSO THAT IT BEGIN WITH GENERAL ANALYSIS OF WORLD ENERGY SITUATION. THIS IS FUNDAMENTAL FOR BUILDING FRAMEWORK OF FACTS FOR EXAMINATION OF SPECIFIC ISSUES UNDER OTHER THREE HEADINGS. IT WAS ACCOMPLISHED IN FACE OF OBVIOUS OPEC REPS' PREFERENCES TO MOVE DIRECTLY TO SUBSTANTIVE DISCUSSION OF TOPICS OF MOST INTEREST TO LDC SIDE (PARTICULARLY INDEXATION) WITH MINIMUM OF GENERAL ANALYSIS WHICH COULD PRODUCE STATISTICS DAMAGING TO PRODUCERS' TACTICAL POSITION VIS-A-VIS NON-OIL PRODUCING LDC'S.

9. RELATIVELY SLOW PACE OF DISCUSSION WAS ALSO ATTRIBUTABLE TO FACT THAT THIS IS FIRST TIME THAT DISCUSSIONS ON BROAD SPECTRUM OF ENERGY ISSUES HAVE BEEN ATTEMPTED IN AN INTERNATIONAL FRAMEWORK. AS A RESULT, BOTH SIDES AT OUTSET WERE VERY CONCERNED ABOUT PROCEDURES, FEELING THEIR UAY CAREFULLY TO ENSURE MAXIMUM SUBSTANTIVE PROTECTION FOR THEIR RESPECTIVE POSITIONS LATER ON. IRANIAN DELEGATE PROBABLY SUMMED UP POSITION OF ALL DELEGATIONS QUITE ACCURATELY, HOWEVER, WHEN AT END OF MEETING HE SAID HE HOPED NEXT ROUND OF MEETINGS WOULD GET DOWN TO

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MORE DIRECT DETAILED AND FRANK EXCHANGE OF VIEWS ON REAL SUBSTANTIVE QUESTIONS AT ISSUE FOR EACH SIDE IN DIALOGUE.

10. FINAL COMPROMISE ON METHODOLOGY FRAMEWORK PAPER PLUS ANNEXED LISTS OF TOPICS WAS REACHED ALONG LINES SUGGESTED EARLIER IN MEETING. ESSENTIAL ELEMENTS INCLUDED: DELETION IN PRICE HEADING OF ANY ALLUSION TO INDEXATION ("PURCHASING POWER"); A PARAGRAPH STIPULATING THAT ALL SUBJECTS PROPOSED IN ACCORDANCE WITH GENERAL GUIDELINES OF DECEMBER 19 COMMUNIQUE WILL BE OPEN TO FULL AND CONSTRUCTIVE DISCUSSION; LANGUAGE IN ANALYSIS SECTION CITING NEED FOR CONSERVATION OF WORLD'S ENERGY RESOURCES, PARTICULARLY THOSE THAT ARE DEPLETABLE; AND A STIPULATION THAT GENERAL ANALYSIS WOULD EXTEND TO 1990 AND BEYOND, AS APPROPRIATE AND FEASIBLE.
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PROCEDURAL QUESTIONS IN ENERGY COMMISSION

11. AT VERY END OF FINAL DAY'S MEETING, VENEZUELAN DELEGATE REQUESTED, AND WAS GRANTED PERMISSION TO READ

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INTO RECORD STATEMENT BY MEXICAN GOVERNMENT AUDITOR CONCERNING WORK OF ENERGY COMMISSION. STATEMENT SUPPORTED FINAL COMMISSION DOCUMENT BUT EMPHASIZED SEVERAL OF WELL-KNOWN LDC CONCERNS RE CONSERVATION OF DEPLETABLE RESOURCES, NECESSITY FOR DC'S TO STOP SQUANDERING "NOBLE" OIL RESOURCES ETC. STATEMENT STIMULATED AUSTRALIAN AUDITOR AFTER MEETING TO PRIVATELY INQUIRE WHETHER US WOULD BE WILLING READ STATEMENT AT FUTURE MEETING ON BEHALF OF AUSTRALIA, IF NECESSITY AROSE. AUSTRALIAN DELEGATE SAID HE HAD DECIDED AGAINST REQUESTING MAKE STATEMENT AT PRESENT MEETING IN VIEW LACK OF STATEMENTS BY OTHER AUDITORS. USDEL (BOSWORTH) ENDEAVORED DISCOURAGE AUSTRALIAN DEL FROM SUCH APPROACH IN FUTURE, POINTING OUT UNRAVELLING EFFECT THIS MIGHT HAVE. BOSWORTH MADE SIMILAR POINT TO VENEZUELAN DEL.

12. ON SEPARATE PROCEDURAL QUESTION, GOF QUAI OFFICIAL (CUVILLIER) INFORMED BOSWORTH AFTER MEETING THAT EC HAD DECIDED UNDERTAKE NEW INITIATIVE TO GET PERMANENT OBSERVER STATUS FOR OECD ON ENERGY COMMISSION. EC REP COMROT RATHER APOLOGETICALLY CONFIRMED THIS. CUVILLIER ENQUIRED WHAT REACTION OF CHAIR WOULD BE TO SUCH REQUEST. BOSWORTH DISCOURAGED ANY REOPENING THIS ISSUE, POINTING OUT IT HAD BEEN FULLY DISCUSSED IN COMMISSION AND FIRM DECISION HAD BEEN TAKEN TO GRANT AD HOC PARTICIPATION STATUS ONLY. ANY ATTEMPT REOPEN ISSUE WOULD SIMPLY DRAG COMMISSION AGAIN INTO UNPRODUCTIVE PROCEDURAL DEBATE.

FINANCE COMMISSION (FC)

13. FC MET ON FEBRUARY 19 TO (A) HEAR TWO ADDITIONAL STATEMENTS FROM G-19 MEMBERS AND (B) TO AGREE ON FURTHER WORK PROGRAM FOR FC IN MARCH AND APRIL SESSIONS.

14. IN STATEMENT ON SPECIAL PROBLEMS OF MSA'S (BASED ON UNCTAD PAPER, "WORLD ECONOMIC OUTLOOK - 1976-77") PAKISTAN DEL FOCUSSED ON THE PROBLEMS WHICH BROUGHT

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ABOUT A COMBINED MSA CURRENT ACCOUNT DEFICIT OF APPROXIMATELY $13 BILLION IN 1975. HE CITED A DECLINE IN VOLUME OF EXPORTS OF MSA'S IN 1974-1975 AND A DETERIORATION IN THE TERMS OF TRADE AS MAJOR REASONS FOR THE DEFICIT, WHICH IS EXPECTED TO REMAIN AT ABOUT SAME LEVEL OF $13 BILLION IN 1976 EVEN WITH ANTICIPATED MODERATE INCREASE IN EXPORT VOLUME OF MSA'S. PAKISTAN DEL EMPHASIZED THAT THE DEFICITS EXIST DESPITE EFFORTS BY MSA'S TO DEAL WITH THEM BY REDUCING THEIR IMPORTS. IN 1975, RATE OF ECONOMIC GROWTH OF MSA'S DECLINED (ESPECIALLY PER CAPITA INCOMES); ODA FLOWS IN REAL TERMS HAVE REMAINED STATIONARY, OR DECLINED. MSA'S HAVE ALSO HAD

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INCREASING DIFFICULTIES IN SECURING LOANS FROM PRIVATE

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CAPITAL MARKETS. PAKISTAN DEL EMPHASIZED NEED TO FOCUS ON ALL OF THESE PROBLEMS AND HOPED THAT FC WOULD KEEP IN MIND THE SPECIAL PROBLEMS OF MSA'S.

L5. IN STATEMENT ON MONETARY PROBLEMS, MEXICO IDENTIFIED SYNCHRONIZED EXPANSION IN DCS AND EXCESSIVE CREATION OF INTERNATIONAL LIQUIDITY AS MAJOR CAUSES OF 1972/3 INFLATION WHICH IN TURN LED TO SIMULTANEOUS CONTRACTION AND RECESSION. HE ARGUED THAT FLEXIBLE EXCHANGE RATE SYSTEM WAS BOTH INFLATIONARY AND DESTABILIZING AND THAT GROWTH IN WORLD TRADE DEPENDED ON ADOPTION OF STABLE SYSTEMS OF EXCHANGE RATES. ASSURING THAT BENEFITS FROM INCREASE IN GOLD PRICE ACCRUED ALMOST ENTIRELY TO DCS COMPARED WITH MEAGER SHARE ALLOTTED TO LDCS UNDER TRUST FUND, MEXICANS PUSHED FOR CENTRALIZED CONTROL OF INTER-
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NATIONAL LIQUIDITY CREATION AND SPECIFICALLY FOR INCREASE IN SUPPLY OF SDR'S. EC STATED, HOWEVER, THAT SINCE GOLD COULD NOT BE MOBILIZED ITS REVALUATION DOES NOT IMPROVE LIQUIDITY POSITION OF EITHER DCS OR LDCS. INDONESIA RETORTED WRYLY THAT IF INCREASE IN GOLD VALUE CAN BE

IGNORED, ARGUMENT FOR CREATING ADDITIONAL SDRS WOULD BE STRENGTHENED.

16. FC WAS UNABLE TO AGREE UPON FURTHER WORK PROGRAM AT FEBRUARY 19 SESSION. MAIN ISSUE WAS RELUCTANCE OF G-8 (ESPECIALLY U.S., JAPAN, EC) TO AGREE TO BEGIN SPECIFIC DISCUSSION OF THE FINANCIAL ASPECTS OF INDEBTEDNESS OF LDC'S AS EARLY AS MARCH.

17. IN BRIEF SESSION ON FEBRUARY 20, FOLLOWING G-8 CAUCUS AND WORK BETWEEN CO-CHAIRMEN, FC WAS ABLE TO ADOPT AN AGREED WORK PROGRAM (SEE SEPTEL). MARCH SESSION OF FC WILL (A) CONTINUE THE GENERAL SURVEY OF WORLD ECONOMIC AND FINANCIAL SITUATION; (B) LOOK AT BALANCE OF PAYMENTS (BOP) PROBLEMS, INCLUDING PROJECTION OF CURRENT AND CAPITAL ACCOUNTS BY GROUPS OF COUNTRIES, BOP PROBLEMS OF DEVELOPING COUNTRIES AND SPECIAL PROBLEMS OF MSA'S; (C) PRIVATE CAPITAL FLOWS AND INVESTMENTS IN LDC'S; (D) PROBLEMS OF FOREIGN ASSETS OF OIL-EXPORTING COUNTRIES. APRIL SESSION OF FC WILL (A) COMMENCE

DISCUSSION OF FINANCIAL ASPECTS OF INDEBTEDNESS OF LDCS; (B) DISCUSS MATTERS REFERRED TO IT FROM OTHER COMMISS-IONS; (C) DISCUSS ANY OTHER ITEMS ON THE CO-CHAIRMAN'S LIST. FC ALSO AGREED TO HOLD ITS NEXT SESSION COMMENC-ING MARCH 19.

18. COMMENT: IT SHOULD BE NOTED THAT THERE WAS FREQUENT DISSATISFACTION AMONG G-8 WITH THE PERFORMANCE OF CO-CHAIRMAN DONDELINGER. IT APPEARED TO MANY DELEGATIONS THAT HE DID NOT ACCURATELY AND FORCEFULLY REFLECT AGREED G-8 POSITIONS IN HIS PRIVATE CONSULTATIONS WITH CO-CHAIRMAN YEGANEH; RATHER DONDELINGER SEEMED TO ACT MORE THAN DESIRABLE ON BASIS HIS PERSONAL IMPRESSIONS AND JUDGMENTS AND WITH VIEW TO PROMOTING GOOD RELATIONSHIP CONFIDENTIAL

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WITH HIS IRANIAN CO-CHAIRMAN AND THE G-19 GENERALLY. HOWEVER, THE FACT THAT FC ENDED ON FRIENDLY AND POSITIVE NOTE GENERALLY STRENGTHENED HIS POSITION. END COMMENT.

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COMMISSION ON RAW MATERIALS (CORM)

19. THE LAST TWO DAYS OF CORM WERE DEVOTED TO ATTEMPTS TO WORK OUT AN AGREED APPROACH TO SECOND ITEM OF WORK PROGRAM, FIRST AMONG G-8 AND THEN WITHIN COMMISSION AS A WHOLE. ALTHOUGH G-8 MANAGED TO COME UP, AFTER RATHER TORTUOUS PROCESS, WITH AN AGREED LIST, NO AGREEMENT ON A COMMON LIST WAS REACHED WITH G-19, AND MARCH SESSION WILL TAKE UP ITEM 2 OF WORK PROGRAM ON BASIS OF BOTH G-8 AND G-19 PAPERS (THESE ARE BEING TRANSMITTED SEPTELS). IT IS UNCLEAR HOW THE COMMISSION WILL PROCEED AT ITS NEXT SESSION, AND THIS QUESTION WILL PRESUMABLY HAVE TO BE ADDRESSED AGAIN IN MARCH.

20. MORNING SESSION OF G-8 FEB. 19 REVEALED UNWILLING-NESS OF EC TO AGREE TO COMMON LIST OF TOPICS FOR DISCUSSION UNDER ITEM 2 OF CORM WORK PROGRAM ALONG LINES OF THAT TABLED BY US FEB. 18 OR MORE ELABORATE VERSION DRAFTED OVERNIGHT BY OECD SECRETARIAT. EC APPROACH INVOLVED IDENTIFICATION OF PROBLEMS OF INDIVUIDUAL

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COMMODITIES FOLLOWED BY CONSIDERATION OF SPECIFIC

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MEASURES. A FEW MINUTES BEFORE AFTERNOON PLENARY, EC SURFACED WRITTEN VERSION OF ITS PROPOSAL. THIS PAPER RECEIVED VERY LUKEWARM RECEPTION FROM THE REST OF G-8 WITH US AND AUSTRALIA IN PARTICULAR ARGUING THAT COMMODITY CASE STUDY APPROACH WOULD NOT BE PRODUCTIVE STARTING POINT FOR CORM WORK AND US OBJECTING TO PROMINENCE GIVEN TO STUDY OF "MARKET STRUCTURES" AS BASIS FOR EACH CASE STUDY.

21. AT PLENARY SESSION EC DECIDED TO TABLE ITS PROPOSAL, DESPITE PLEAS BY DC CO-CHAIRMAN AND ALL OTHER MEMBERS OF G-8 THAT THEY HOLD OFF AND SEE IF COMMON POSITION COULD NOT BE REACHED. AUSTRALIANS THEREUPON TABLED THEIR OWN PROPOSAL WHICH WAS MARRIAGE BETWEEN EARLIER OECD DRAFT AND A SANITIZED VERSION OF MEASURES PORTION OF EC CONFIDENTIAL

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SUBMISSION, OMITTING MORE OBJECTIONABLE PORTIONS. LDC'S IMMEDIATELY JUMPED ON EC PAPER BECAUSE OF EMPHASIS GIVEN TO QUOTE IDENTIFICATION OF PROBLEMS UNQUOTE, WHICH THEY SAW AS NEEDLESS REPETITION OF WORK DONE ELSEWHERE AND,HENCE, A STALLING MANEUVER. THIS REACTION FORCED EC REP INTO POSITION OF ADMITTING EC NOT WILLING TO ELABORATE FURTHER ON ITS PAPER AT FEBRUARY SESSION. PERU, MEXICO, YUGOSLAVIA, AND VENEZUELA MADE IT CLEAR THAT PROBLEMS HAD, IN THEIR VIEW, ALREADY BEEN SUFFICIENTLY DISCUSSED, AND THAT FIRST ITEM FOR DEBATE UNDER ITEM TWO OF WORK PROGRAM SHOULD BE OBJECTIVES SECTION OF THEIR POSITION PAPER, DISCUSSION OF WHICH SHOULD NOT LAST LONG SINCE SUBSTANTIAL AGREEMENT ON OBJECTIVES WAS ALREADY REACHED AT UNGASS. COMMISSION COULD THUS QUICKLY BEGIN TO TAKE UP QUESTION OF MEASURES, I.E. COMMON FUND, BUFFER STOCKS, INDEXATION, ETC. ARGENTINA CONFUSED SITUATION BY ARGUING COMMISSION ALSO SHOULD CONSIDER FINAL RESOLUTION OF THE UNGASS AS PART OF ITS "TERMS OF REFERENCE" FOR ITEM 2. AT POST-PLENARY G-8 CAUCUS, THE EC APPEARED CHASTENED AND AGREED TO WORK WITH REST OF GROUP ON A COMMON LIST BASED ON AUSTRALIAN PROPOSAL, WHICH, WITH VARIOUS MODIFICATIONS, WAS ADOPTED BY GROUP.

22. DURING FEBRUARY 20 SESSION DC CO-CHAIRMAN MIYAZAKI GAVE G-8 PAPER TO G-19, WHICH RESPONDED WITH PROPOSAL FOR 3 ITEM AGREED LIST OF SUBJECTS FOR MARCH SESSION. THIS PROPOSAL HIGHLIGHTED ISSUES OF LDC PURCHASING POWER AND COMPETITION FROM SYNTHETICS. IN G-8 CAUCUS //U WAS ALONE IN INSISTING ON SUBSTANTIAL CHANGES IN THIS PAPER AS CONDITION OF ACCEPTANCE. RATHER THAN ACCEPT CHANGES IN TEXT, HOWEVER, G-19 PREFERRED TO PROCEED ON BASIS OF DUAL PAPERS. THIS ENTIRE NEGOTIATION WAS CARRIED ON

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OUTSIDE PLENARY THROUGH INFORMAL CONSULTATIONS OF CO-CHAIRMEN.

23. AT BRIEF FINAL PLENARY MEETING SPAIN PRESENTED AGREED G-8 PAPER. IN RESPONSE ZAMBIA SAID G-19 WOULD STICK TO ITS EARLIER POSITION PAPER. MEXICO THEN DELIVERED RAMBLING STATEMENT PRESENTED AS "VERY PRELIMINARY" VIEWS ON SUBSTANCE OF WORK PROGRAM ITEM 2. THE STATEMENT
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STRESSED NEED FOR BETTER MARKET INFORMATION, UTILITY OF PRODUCER ORGANIZATIONS, OPPOSITION TO MNC'S AND SYNTHETICS PRODUCTION, DESIRABILITY OF INDEXATION, AND OTHER PREDICTABLE G-77 APPROACHES. IN CLOSING MINUTES THE GROUP AGREED TO INVITE UNIDO AS AD HOC OBSERVER AT APPROPRIATE TIME AND TO BEGIN NEXT MEETING ON EITHER MARCH 18 OR 19, DEPENDING ON CONSULTATIONS BETWEEN CO-CHAIRMEN.

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DEVELOPMENT COMMISSION

24. DISCUSSION OF BALANCE OF PAYMENTS BEGAN LATE FEB. 19 AND WAS CONCLUDED FEB. 20. AGENDA ITEM WAS DIVIDED INTO TWO SUB-ITEMS: (A) BALANCE OF PAYMENTS AND DEVELOPMENT--STRUCTURAL AND SHORT-TERM PROBLEMS, AND (B) ACTIONS AND MEASURES FOR COPING WITH LDC B/P PROBLEMS, INCLUDING SPECIAL CASES OF MSA'S, LLDC'S, LANDLOCKED AND ISLAND LDC'S. MANY SPEAKERS COVERED BOTH AGENDA SUB-ITEMS IN ONE INTERVENTION, AND DISCUSSION, SIMILAR TO THAT ON TRADE, WAS CHARACTERIZED BY PRESENTATION OF VIEWS ON BOTH SIDES AND MINIMAL DEBATE. FOLLOWING INTERVENTIONS BY ALL THOSE WISHING TO SPEAK, CO-CHAIRMAN AIT CHALLAL DID NOT SUMMARIZE DISCUSSION, AND FIRST MEETING OF DEVELOPMENT COMMISSION CAME TO
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CLOSE WITH CONCILIATORY STATEMENTS FROM AIT CHALLAL, WELLENSTEIN, AND EC.

25. OPENING STATEMENTS ON B/P WERE MADE BY NIGERIA (ON BEHALF OF G-19) AND US, AND FOLLOWED BY INTERVENTIONS BY BOTH DEVELOPED AND DEVELOPING COUNTRY DELEGATES. IN HIS OPENING STATEMENT, NIGERIAN DEL POINTED TO HIGH INFLATION IN DC'S AS PRIMARY CAUSE OF NON-OIL LDC B/P DEFICIT. HE BLAMED INFLATION ON POOR ECONOMIC PLANNING AND MONETARY INSTABILITY IN DC'S AND CLAIMED THAT HIGHER PRICES FOR DC MANUFACTURED GOODS AND FOOD WERE MORE DETRIMENTAL TO NON-OIL LDC B/P'S THAN INCREASE IN PRICE OF OIL. OTHER CAUSES OF B/P PROBLEMS CITED WERE DC TARIFF ESCALATION PRACTICES AND DEPENDENCE BY MANY LDC'S ON ONE OR TWO PRIMARY PRODUCT EXPORTS. NIGERIAN DEL SAW ONLY LIMITED POSSIBILITIES FOR LDC'S TO FINANCE B/P DEFICITS THROUGH MORE BANK LENDING, OFFICIAL TRANSFERS, FURTHER DRAWDOWN OF RESERVES OR RECOURSE TO IMF (SINCE ITS CONDITIONS OF LENDING WERE OFTEN TOO ONEROUS). IN ORDER TO AVERT RECOURSE TO IMPORT CONTROLS WHICH COULD BE DETRIMENTAL TO INDUSTRIALIZED COUNTRIES AS WELL, NIGERIAN CALLED FOR: (A) IMPLEMENTATION OF INTEGRATED COMMODITY PROGRAM, (B) FREER ACCESS FOR LDC MANUFACTURES, (C) CONSIDERATION OF CANCELLATION OF ALL OFFICIAL DEBT OF MSA'S, LANDLOCKED AND ISLAND LDC'S ALONG WITH CONSOLIDATION AND REFINANCING OF COMMERCIAL DEBT, (D) INCREASE IN DAC MEMBER ODA TO 0.7 GNP (HE SET OPEC DISBURSEMENTS AT 2.5 GNP), (E) MEASURES TO FACILITATE ACCESS TO CAPITAL MARKETS, AND (F) FURTHER LIBERALIZATION OF IMF CREDIT FACILITIES.

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26. US DEL (WINDER) TABLED PAPER OUTLINING ANALYSIS OF NON-OIL LDC B/P AND POSSIBLE REMEDIAL MEASURES, AND MADE SEPARATE INTERVENTIONS ON EACH TOPIC. PRESENTATION BEGAN BY NOTING NON-OIL LDC CURRENT ACCOUNT DEFICIT HAD INCREASED FROM QUOTE NORMAL UNQUOTE LEVEL OF ABOUT $9 BILLION IN 1972-73, WHICH LDC'S FINANCED WITH LITTLE DIFFICULTY, TO $37 BILLION IN 1975. INCREASE IN DEFICIT DUE PRIMARILY TO RISE IN PRICE OF OIL AND ALSO TO INFLA-TION IN DC'S AND TO DECLINE IN LDC EXPORTS CONSEQUENT TO RECESSION. WINDER REVIEWED HOW NON-OIL LDC'S FINANCED
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DEFICIT IN 1975 AND SAID IT WAS FELT THAT PROJECTED $34 BILLION DEFICIT IN 1976 WOULD ALSO BE FINANCED. HE POINTED OUT, HOWEVER, THAT REAL GROWTH HAD BEEN CURTAILED IN 1974 AND 1975 IN NON-OIL LDC'S AND 1976 FINANCINQ UOULD DEPEND TO LARGE EXTENT ON AVAILABILITY OF PRIVATE CREDIT AND EXTENT TO WHICH RECOURSE IS MADE TO IMF FACILITIES. IN US VIEW, IF PROBLEMS ARISE IN 1976, THEY WILL ARISE IN INDIVIDUAL LDC'S RATHER THAN IN THE AGGREGATE. US EMPHASIZED THAT, ALTHOUGH AGGREGATE DEFICIT CAN BE FINANCED, SERIOUS IMPLICATIONS OF FINAN-CING PROCESS MUST BE FACED, I.E. THE RAPIDLY INCREASING LDC DEBT BURDEN AND GREAT DIFFICULTY IN MAINTAINING ADEQUATE ECONOMIC GROWTH IN NON-OIL LDC'S. US INTER-VENTION ALSO NOTED NEED FOR STRUCTURAL ADAPTATION IN LDC'S AND NECESSITY OF DISTINGUISHING STRUCTURAL PROBL-EMS, ATTRIBUTABLE TO OIL PRICE INCREASE, AND CYCLICAL PROBLEMS, DUE TO CONJUNCTURAL ECONOMIC FACTORS, IN CONSIDERING POSSIBLE MEASURES TO AMELIORATE NON-OIL LDC B/P SITUATION.

27. OTHER LDC'S WHO SPOKE WERE JAMAICA, ALGERIA AND INDIA. JAMAICAN EMPHASIZED NON-OIL LDC TERMS OF TRADE DETERIORATION AND EXPRESSED DOUBTS RE ABILITY OF INDIVIDUAL LDC'S TO FINANCE THEIR DEFICITS. LIKE NIGERIAN DEL, HE SAW LITTLE SCOPE FOR FURTHER DRAWDOWN OF RESERVES, DOUBTED PRIVATE CAPITAL WOULD BE AVAILABLE TO DEGREE NECESSARY AND WAS NOT OPTIMISTIC ABOUT RECOUR-SE TO IMF

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SE TO IMF CREDIT, EVEN AFTER INTERIM COMM MEETING DECISIONS AT JAMAICA. HE CALLED FOR RELAXING OF CONDITIONS IMPOSED BY IMF TO DRAW ON CREDIT TRANCHES. BOTH THE JAMAICAN AND THE INDIAN DELEGATES NOTED THE GRAVITY OF LDC DEBT PROBLEMS, WITH THE FORMER AGREEING WITH NIGERIA ON THE NEED FOR DEBT RESCHEDULING OR CANCELLATION. ALGERIAN GAVE A LONG AND RAMBLING STATEMENT, THE GIST OF WHICH WAS THAT STAGFLATION BROUGHT ON BY DC POLICIES WAS THE CAUSE OF LDC B/P PROBLEMS. HE CLAIMED EXTRA EFFORT NECESSARY TO PAY INCREASED PRICES FOR OIL WAS ONLY A MINOR ADDITION TO THE BURDEN DUE TO INCREASED PRICES OF MANUFACTURED GOODS. ALGERIA DEFENDED AID RECORD OF OPEC DONORS AND CALLED FOR INTEGRATED COMMODITY PROGRAM, INCREASED TRANSFER OF RESOURCES AND INDEXATION OF COMMODITY PRICES. INDIAN DEL NOTED PROBLEMS LESS WELL-OFF LDC'S HAVE IN ENTERING PRIVATE
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CAPITAL MARKETS AND CALLED FOR QUOTE MASSIVE UNQUOTE INCREASE IN ODA TO AT LEAST 0.7 GNP. NO LDC SPOKE TO INDICATE SATISFACTION WITH RECENT INTERIM COMMITTEE DECISIONS, AND EVEN AMONG G-5, ONLY CANADA IN ADDITION TO US NOTED THEIR IMPORTANCE. IMF REP INTERVENED TO CALL ATTENTION TO SIGNIFICANCE OF JAMAICA DECISIONS AFTER US OUTLINED THEM IN DETAIL.

28. STATEMENTS BY JAPAN, CANADA, SWEDEN AND EC WERE NOT

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AS COMPREHENSIVE AS THOSE OF US. JAPAN TALKED ABOUT B/P PROBLEMS DC'S HAVE EXPERIENCED AND ALONG WITH SWEDEN POINTED TO THE BENEFICIAL EFFECT ECONOMIC RECOVERY IN DEVELOPED COUNTRIES WILL HAVE ON LDC'S. JAPAN AND CANADA ALLUDED TO EFFORTS TO IMPROVE LDC MARKET ACCESS AT MTN, AND JAPANESE DEL CALLED FOR EXPANSION OF IFC RESOURCES. EC AND CANADA COMMENTED ON ADVERSE IMPACT OF OIL PRICE INCREASE ON GLOBAL ECONOMY. SWEDEN ACKNO-WLEDGED ADVERSE EFFECT OF OIL PRICES ON NON-OIL LDC B/P'S BUT SAID THAT INFLATION IN DC'S WAS THE MAJOR CAUSE OF THEIR B/P DIFFICULTIES. CANADA AND SWEDEN AGREED WITH US ANALYSIS OF SERIOUSNESS OF NON-OIL LDC DEBT SITUATION, AND SWEDEN MADE ITS PROPOSAL FOR CANCELLATION OF ODA DEBTS OF MSA'S. SWEDEN CIRCULATED PAPERS ON THIS PROPOSAL AND ON STABEX PROPOSAL FLOATED AT 7TH SS. SWEDISH DEL ALSO CALLED FOR ATTAINMENT OF 0.7 TARGET. EC WAS NOT READY TO SPEAK ON THIS AGENDA ITEM AND GAVE UNINSPIRING STATEMENT TRACING EVOLUTION OF INTERNATIONAL ECONOMIC SYSTEM SINCE WWII.

29. IN LATER INTERVENTIONS, US OUTLINED MEASURES TO DEAL WITH NON-OIL LDC B/PSITUATION. WE POINTED FIRST TO SIGNIFICANCE OF DECISIONS TAKEN BY INTERIM COMMITTEE TO LIBERALIZE COMPENSATORY FINANCING FACILITY, ESTABLISH TRUST FUND AND IMPROVE AND INCREASE MEMBERS' IMF QUOTAS, ACTIONS WHICH MAKE POTENTIAL $5 BILLION AVAIL-ABLE TO LDC'S. SUGGESTED MEASURES FOR LONG TERM ADJUSTMENT INCLUDED: A) REDUCTION IN PRICE OF OIL, B) INCREASE IN TRANSFER OF RESOURCES FROM DC'S AND OPEC MEMBERS, C) MEASURES TO FOSTER INCREASE IN PRIVATE PORTFOLIO AND DIRECT INVESTMENT (INTERNATIONAL INVEST-MENT TRUST, WORK ON ACCESS TO CAPITAL MARKETS, EXPANSION
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OF IFC CAPITAL); D) IMPROVEMENT IN LDC EXPORT PERFOR-MANCE (NOTING DC COMMITMENT TO ACTIONS TO IMPROVE MARKET ACCESS IN MTN); E) RECEPTIVITY BY LDC'S TO FOREIGN INVESTMENT, AND F) INCREASED DOMESTIC SAVINQS. US ALSO GAVE A NUMBER OF ARGUMENTS AGAINTST PROPOSALS FOR GENERAL DEBT RELIEF, EMPHASIZING ADVERSE IMPACT

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SUCH MEASURES WOULD HAVE ON LDC CREDIT RATINGS AND HENCE ON THEIR ABILITY TO RAISE PRIVATE CAPITAL.

30. US ACKNOWLEDGED PROBLEM OF INFLATION REFERRED TO BY LDC DELS WAS SERIOUS AND NOTED EFFORTS MADE AT GRETAT COST TO COMBAT IT. IN REBUTTAL TO ARGUMENT THAT INFLATION MORE RESPONSIBLE FOR B/P PROBLEMS THAN OIL PRICE INCREASE, US NOTED LDC'S WERE IN GENERAL EASILY FINANCING B/P DEFICITS BEFORE OIL PRICE WAS RAISED AND THAT OIL PRICE INCREASE WAS RESULT OF DIRECT GOVERN-MENTAL DECISION IN CONTRAST TO INFLATION EXPERIENCED IN DC'S. US AND JAPAN ALSO NOTED DESIRE TO DISCUSS OPEC AID (TERMS AND GEOGRAPHIC DISTRIBUTION) AT LATER MEETING.

31. CO-CHAIRMAN AIT CHALLAL DID NOT SUMMARIZE B/P
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DISCUSSION, BUT HE CLOSED MEETING WITH CONCILIATORY STATEMENT ON FIRST MEETING OF COMMISSION, NOTING CLIMATE WAS CHARACTERIZED BY SOLIDARITY RATHER THAN CONFRNON-TATION, AND WILL TO MOVE AHEAD IN INTEREST OF LDC'S. H FELT STRUCTURE FOR DIALOGUE HAD SUCCESSFULLY BEEN INITIATED IN WHICH NEGOTIATION OF ISSUES OF INTEREST TO LDC'S WOULD NATURALLY FOLLOW INITIAL ANALYSIS AND PRESENTATION OF DIFFERING VIEUS. COMMISSION WILL MEET NEXT MARCH 19 TO 26. WORLD FOOD COUNCIL REP WILL BE

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INVITED AS OBSERVOR FOR DISCUSSION ON FOOD AND AGRICUL-
TURE. EC HAS SUBMITTED LIST OF SUGGESTED SUBTOPICS FOR
THAT DISCUSSION WHICH WILL BE TAKEN UP AT NEXT MEETING.
TURNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, INTERNATIONAL ORGANIZATIONS, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OECDP05273
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760066-0379
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760227/aaaaaxlb.tel
Line Count: 1307
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 24
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 30 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 MAR 2004 by CollinP0>; APPROVED <27 JUL 2004 by saccheem>
Review Markings:

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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIEC: CONCLUSION OF FIRST SESSION OF COMMISSION MEETINGS
TAGS: EGEN, ENRG, EFIN, ETRD, EAID, OECD, CIEC, G-19, G-8
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006